

Message Text

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SUBJECT: CENTRAL ANATOLIAN REFINERY

REF: A) STATE 253649 B) ANKARA 7358 C) STATE 263223

1. NUMBER OF FAST-BREAKING DEVELOPMENTS IN REGARD TO ESTABLISHMENT OF ANATOLIAN REFINERY HAS MADE IT DIFFICULT TO DETERMINE TPAO SERIOUSNESS IN INVITING AMERICAN FIRMS TO BID. RAPID IMPLEMENTATION OF TURK-ROMANIAN LONG-TERM ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION AGREEMENT, FIRST SIGNED IN JUNE 1976 (ANKARA A-68) AND FURTHER DEFINED IN SEPTEMBER 1976, LED TO OCTOBER 6, 1976 GROUND BREAKING CEREMONIES FOR ANARA REFINERY BY PRIME MINISTER DEMIREL IN PRESENCE OF ROMANIAN DEPUTY PRIME MINISTER. THIS WAS FOLLOWED BY OCTOBER 22 (SEP AIR) ANNOUNCEMENT THAT ROMANIANS WERE EXTENDING TO GOT CREDIT EQUIVALENT TO \$250 MILLION (TIED TO PROCUREMENT OF ROMANIAN EQUIPMENT) FOR ANATOLIAN REFINERY, DEVELOPMENT OF MAZIDAG PHOSPHATE RESERVES, DEVELOPMENT OF COAL AND OTHER MINERALS AND SALE OF RELATED DRILLING EQUIPMENT.

2. EMBASSY DOES NOT QUESTION GOT DETERMINATION TO BUILD ANATOLIAN REFINERY WHICH IS NEEDED IN ORDER TO MEET COUNTRY'S FAST GROWING ENERGY NEEDS. AS IS MORE AND MORE APPARENT, HOWEVER, FINANCING AVAILABILITY AND TERMS ARE BECOMING A MAJOR DETERMINANT IN AWARDED PROJECTS TO FOREIGN FIRMS. EXPANDED ROMANIAN EFFORT TO IMPROVE POLITICAL AND ECONOMIC RELATIONS WITH GOT CAME AT OPPORTUNE

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TIME AS FAR AS REFINERY FINANCING WAS CONCERNED.

3. PER REF C, EMBASSY IS UNAWARE OF "FIERCE COM-PETITION WITH THE RUSSIANS" FOR THE ANATOLIAN REFINERY. RUSSIANS DID, OF COURSE, BUILD ALIAGA REFINERY IN IZMIR AND MAY WELL HAVE BEEN INTERESTED IN ANATOLIAN REFINERY AS WELL. RUSSIANS ARE, HOWEVER, HEAVILY ENGAGED IN TURKEY IN MAJOR EXPANSION OF ISKENDERUN STEEL MILL AND SEYDISEHIR ALUMINUM COMPLEX AND WE PICK UP OCCASIONAL MUMBLINGS OF RUSSIAN DISSATISFACTION AND CONCERN OVER TURKISH DELAYS IN IMPLEMENTATION OF THESE PROJECTS.

4. IN DISCUSSION WITH TPAO DEPUTY GENERAL DIRECTOR OZER ALTAN ON OTHER SUBJECT IN SEPTEMBER, EMBOFF RAISED QUESTION OF CONSTRUCTION OF ANATOLIAN REFINERY AS WELL AS TPAO FUTURE PLANS FOR ISKENDERUN AND BLACK SEA REFINERIES. ALTAN SAID TPAO WAS VERY INTERESTED IN CONTINUING DISCUSSIONS WITH MAJOR AMERICAN ENGINEERING FIRMS ON PROJECTS SUCH AS ANATOLIAN

REFINERY. OZER ALTAN POINTED OUT THAT TPAO PLANNING AND PRODUCTION ARE WESTERN, NOT EASTERN, ORIENTED. THUS EVEN THOUGH RUSSIANS SUPPLIED BASIC FINANCING, EQUIPMENT AND ENGINEERING FOR ALIAGA REFINERY, TPAO HAD NEEDED WESTERN FIRMS TO REDESIGN REFINERY TO MORE WESTERN TPAO SPECIFICATIONS. THIS WILL AMOST CERTAINLY BE TRUE OF ROMANIAN-SUPPLIED ANATOLIAN REFINERY AS WELL. CONSEQUENTLY, EVEN THOUGH ROMANIANS APPEAR TO HAVE WON THIS CONTRACT, THERE WILL STILL BE LARGE COMPONENT OF REFINERY PROCUREMENT DIRECTED TO WESTERN FIRMS.

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